

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04
SIL-01 L-03 H-01 PA-01 PRS-01 IGA-02 AGRE-00 /086 W
-----230405 006152 /64

R 230217Z FEB 77

FM AMEMBASSY RANGOON

TO SECSTATE WASHDC 3068

C O N F I D E N T I A L SECTION 1 OF 2 RANGOON 0531

E.O. 11652: GDS

TAGS: EAID, BM

SUBJ: GUB SATISFIED WITH ECONOMIC PROGRESS SINCE NOVEMBER 1976 CONSUL

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TATIVE GROUP MEETING; NO MAJOR REFORMS LIKELY FROM PARTY CONGRESS

SUMMARY: GUB PLANS TO CALL ANOTHER MEETING OF CONSULTATIVE GROUP COUNTRIES' AMBASSADORS IN RANGOON AT THE END OF MARCH, AND THE DEPUTY MINISTER OF PLANNING AND FINANCE HAS BRIEFED ME ON DEVELOPMENTS SINCE NOVEMBER. LEGISLATION WILL PROBABLY BE PASSED AT THE COMING ASSEMBLY SESSION TO PERMIT PRIVATE PRODUCERS TO IMPORT SPARE PARTS AND RAW MATERIALS AND TO GET GOVERNMENT LOANS, AS WELL AS TO FACILITATE PRIVATE INVESTMENT IN PRODUCERS COOPERATIVES. LEGISLATION IS ALSO BEING DRAFTED TO GENERATE MORE REVENUE FROM CUSTOMS AND LAND TAXES, BUT THIS MAY NOT BE READY FOR THE COMING SESSION. MEANWHILE, PROGRESS CONTINUES IN IMPROVING PRODUCTIVITY, AS EVIDENCED BY COMMODITY TAX RECEIPTS AND PROJECTED EXPORT EARNINGS. GUB FEELS U.S. AID TO ACCELERATE THIS PROGRESS IS WARRANTED, AND URGES U.S. TO PROVIDE AT LEAST COMMODITY LOANS. THE DEPUTY MINISTER OFFINANCE SEES NO REAL NEED FOR FURTHER REFORMS, EITHER TO STIMULATE THE PRIVATE SECTOR OR TO PROMOTE FOREIGN INVESTMENT, AND DOUBTS THAT ANY WILL COME OUT OF THE CURRENT PARTY CONGRESS. END SUMMARY.

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1. DR. MAUNG SHEIN, DEPUTY MINISTER FOR PLANNING AND FINANCE, WHO HAS BEEN ONE OF THOSE PRINCIPALLY RESPONSIBLE FOR MANAGING THE WORLD BANK-SPONSORED CONSULTATIVE GROUP, CALLED ME IN ON FRIDAY, FEBRUARY 18, AT 10:00 TO BRING ME UP TO DATE ON DEVELOPMENTS SINCE THE MEETING AT TOKYO LAST NOVEMBER, AND TO LET ME KNOW THAT THERE IS TO BE ANOTHER AMBASSADORIAL LEVEL MEETING, EITHER IN MARCH OR EARLY APRIL, TO EXPLAIN DEVELOPMENTS FURTHER

AND GIVE PARTICIPANTS A CHANCE TO COORDINATE PLANS IN REGARD TO SPECIFIC PROJECTS. HE SAID SOME CG MEMBERS (AS WELL AS THE MULTILATERAL BANKS) HAD SENT OR WERE SENDING ECONOMIC MISSIONS OF VARIOUS KINDS TO BURMA, AND WERE ABLE TO KEEP THEMSELVES BRIEFED IN SUCH WAYS. HOWEVER, COUNTRIES WHICH, LIKE FRANCE AND THE U.S., HAD HAD NO ECONOMIC TEAMS IN BURMA RECENTLY WERE BEING BRIEFED SPECIALLY.

2. MAUNG SHEIN SAID THE GUB, SINCE THE TOKYO MEETING, HAD BEEN PREPARING DRAFT LEGISLATION IN FOUR CATEGORIES:

A. DOMESTIC PRIVATE SECTOR: THE AIM OF MEASURES IN THIS CATEGORY IS TO MOBILIZE PRIVATE RESOURCES FOR THE ADVANCEMENT OF THE ECONOMIC PLAN. DRAFT LEGISLATION WOULD PERMIT IMPORTS OF SPARE PARTS AND RAW MATERIALS FOR PRIVATE PRODUCERS, AND WOULD PROMOTE GOVERNMENT LOANS TO PRIVATE PRODUCERS.

B. LAND TAX REVENUES. ADMINISTRATIVE IMPROVEMENTS (UNSPECIFIED) TO IMPROVE THE MOBILIZATION OF LAND REVENUES FOR DEVELOPMENT PURPOSES.

C. AMENDMENT OF COOPERATIVE LAWS AND BY-LAWS. A MAIN POINT IS TO ENCOURAGE PRIVATE INVESTMENT IN PRODUCERS COOPERATIVES BY REMOVING THE PRESENT LIMITATION WHICH PROHIBITS AND INDIVIDUAL FROM HOLDING MORE THAN ONE SHARE IN A PRODUCERS COOPERATIVE.

D. RATIONALIZATION OF CUSTOMS LEGISLATION TO GENERATE MORE REVENUE. MAUNG SHEIN SAID HE HOPED THAT AT LEAST TWO OF THESE LEGISLATIVE CHANGES (PRESUMABLY ITEMS A AND C ABOVE) WILL BE PASSED BY THE COMING SESSION OF THE PYITHU HLUTTAW, BUT HE COULD NOT GUARANTEE IT. AS SOON AS ANY OF THE LEGISLATION IS PASSED, HE SAID, IT WOULD BE MADE AVAILABLE TO US.
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3. IN ADDITION TO PROGRESS ON THE LEGISLATIVE FRONT, MAUNG SHEIN SAID PLANS WERE BEING DEVELOPED TO BRING ABOUT AN IMPROVEMENT IN THE BALANCE OF PAYMENTS, ON OF THE PROGRAM AIMS MENTIONED BY MINISTER U LWIN AT TOKYO. FOR EXAMPLE, IN AGRICULTURE, THERE ARE PLANS TO IMPORT COMPLEMENTARY FERTILIZERS, AND TO SUBSTITUTE "PRIMITIVE" MACHINES FOR DRAFT ANIMALS IN SOME AREAS. MORE RAW MATERIALS AND SPARE PARTS ARE TO BE PROVIDED TO RAISE CAPACITY UTILIZATION IN THE MANUFACTURING SECTOR. IN THE TRANSPORT SECTOR, HE MENTIONED THE IMPORT AND DISTRIBUTION OF BOAT ENGINES BOTH TO THE PRIVATE SECTOR AND THE COOPERATIVE SECTORS, AND SAID THE GUB MIGHT WISH EVEN TO IMPORT LORRIES WITH WHICH TO EXPAND ITS TRANSPORT FLEET. IN IMPLEMENTING THESE PLANS, COMMODITY AID, OR COMMODITY LOANS, COULD BE OF VERY GREAT ASSISTANCE, MAUNG SHEIN SAID, BECAUSE OF ITS CONCESSIONAL CHARACTER, EITHER IN TERMS OF REPAYMENT OR INTEREST RATES OR BOTH. ONLY IF THIS TYPE OF AID WERE NOT AVAILABLE, MAUNG SHEIN SAID, WOULD THE GUB SEEK RECOURSE TO PURELY COMMERCIAL BORROWING, AS IN THE RECENT CREDIT NEGOTIATIONS

WITH CHASE MANHATTAN (MAUNG SHEIN SPOKE HIGHLY OF THE CHASE TEAM, AND EXPRESSED HIS APPRECIATION FOR WHAT HE UNDERSTOOD WAS THE POSITIVE ATTITUDE TAKEN BY THE EMBASSY TOWARD THE NEGOTIATIONS. I RECEIVED THE IMPRESSION THAT THE DEAL HAS BEEN APPROVED). MAUNG SHEIN POINTED OUT THAT EVEN WITHOUT FORMALLY REOPENING AN AID PROGRAM THE U.S. COULD BE VERY HELPFUL IN THE COMMODITY LOAN FIELD, E.G., BY PROVIDING COTTON.

4. MAUNG SHEIN EXPRESSED OPTIMISM ABOUT CURRENT ECONOMIC PERFORMANCE. THE COMMODITY TAX NOW SEEMED LIKELY TO APPROACH THE TARGETTED K1,770 MILLION, AND EVEN IF IT YIELDED ONLY K1.6 BILLION, THIS WOULD BE A "MEANINGFUL SIGN". EXPORT EARNINGS (A GOOD INDICATOR OF PRODUCTIVITY, MAUNG SHEIN SAID) ARE NOW PROJECTED TO REACH K1.65 BILLION, AGAINST A TARGET OF K 1.6 BILLION.

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FM AMEMBASSY RANGOON
TO SECSTATE WASHDC 3069

C O N F I D E N T I A L SECTION 2 OF 2 RANGOON 0531

5. U AYE HLAING, GOVERNOR OF THE BANK, WHO WAS PRESENT THROUGHOUT MY CALL, ADDUCED A NUMBER OF ARGUMENTS FOR U.S. PARTICIPATION IN AID TO BURMA WITHOUT CONDITIONS OR CRITERIA. HE RECALLED THE WORDS OF THE HEAD OF THE AMERICAN DELEGATION AT TOKYO MR. ADLER, TO THE EFFECT THAT THE GUB PROGRAM "WAS ON THE RIGHT TRACK." "IF IT IS ON THE RIGHT TRACK," AYE HLAING SAID, "WHY NOT GIVE IT A PUSH?" HE SAID THAT WHENEVER PEOPLE TALK ABOUT "REVIVAL" OF THE PRIVATE SECTOR, THEY TEND TO OVERLOOK THE FACTS THAT MUCH OF THE TRANSPORT SECTOR IS PRIVATE, AND THAT AGRICULTURE IS VERY LARGELY PRIVATE, INCLUDING THE RICE MILLS; THUS, AN ADB LOAN TO PROVIDE SPARE PARTS FOR RICE MILLS IS A FORM OF GOVERNMENTAL ASSISTANCE TO THE PRIVATE SECTOR.

6. I ASKED WHETHER ANY LEGISLATION WAS IN THE WORKS TO

ENCOURAGE FOREIGN INVESTMENT, AND WHETHER THE THIRD PARTY CONGRESS (FEB. 21-28) WOULD BRING ABOUT ANY CHANGES OF ECONOMIC POLICY. MAUNG SHEIN SAID HE REALLY DID NOT KNOW WHAT THE CONGRESS WOULD PRODUCE; HE HAD NOT SEEN THE DOCUMENTS. HOWEVER, HE CLEARLY DID NOT EXPECT SIGNIFICANT REFORMS. ON FOREIGN INVESTMENT, HE RECALLED THAT U LWIN HAD STATED AT TOKYO THE PERTINENT CONDITIONS FOR FOREIGN INVESTMENT IN GUB CORPORATIONS FOLLOWING THE PRODUCTION-SHARING FORMULA, I.E., SPECIAL NEED FOR CAPITAL OR TECHNOLOGY NOT AVAILABLE OTHERWISE; INVESTMENT CONFIDENTIAL

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IN THE PRODUCTION-SHARING PATTERN OF THE OFFSHORE OIL CONTRACTS. MAUNG SHEIN SAID HE DID NOT EXPECT ANY LEGISLATION TO BE NECESSARY IN THIS FIELD. GOVERNOR AYE HLAING ADDED THAT PEOPLE SHOULD UNDERSTAND THAT BURMESE VIEWED FOREIGN INVESTMENT AGAINST A SPECIAL BACKGROUND OF NATIONALISM AND THEIR PARTICULAR EXPERIENCE WITH COLONIALISM AND IMPERIALISM.

7. I ASKED WHETHER THERE WOULD NOT BE CONSIDERABLE DISAPPOINTMENT ON THE PART OF THE GENERAL PUBLIC IF THE GUB DID NOT UNDERTAKE SOME MORE SWEEPING REFORMS THAN THOSE WE HAD BEEN DISCUSSING. AYE HLAING ANSWERED THAT WHAT PEOPLE ARE REALLY CONCERNED ABOUT IS THE PRICE OF COOKING OIL AND SUCH-LIKE ECONOMIC CONDITIONS. WHETHER PEOPLE WERE DISAPPOINTED OR NOT WOULD DEPEND ON THE SUCCESS OF THE GOVERNMENT IN LOWERING PRICES AND SOLVING CONCRETE ECONOMIC PROBLEMS. "IF OUR PROGRAM SUCCEEDS, IT WILL TAKE CARE OF ANY DISAPPOINTMENT," HE SAID.
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Disposition Approved on Date:
Disposition Case Number: n/a
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LIKELY FROM
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